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SUBJECT: DAGAN AND CODEL LIEBERMAN DISCUSS HAMAS-LED PA AND IRAN

Classified By: Ambassador Richard H. Jones for reasons 1.4 (b) and (d)

¶11. (C) Summary: Meir Dagan, director of the Mossad, told Codel Lieberman on April 20 that Hamas won the Palestinian elections because it was more united and organized than Fatah. He said that Palestinians mainly voted for Hamas to protest Fatah corruption, but added that 60 percent "still back guns." Dagan described the Hamas's four main sources of funding, as well as its connection to the Muslim Brotherhood.

He claimed that Hamas would never change its basic philosophy against Israel, even if it can be practical and change its rhetoric. Dagan advised against channeling U.S. assistance to Palestinian Authority (PA) President Mahmud Abbas's Presidential Guard, however, because he claimed that Abbas would use it to buy influence in other security services under the Hamas-led government, rather than on his own Presidential Guard. He suggested that U.S. assistance go to humanitarian needs instead because "the security services can get their salary anywhere," explaining that the PA has enough money in the Palestinian Investment Fund, and donations from Iran and Qatar, to last approximately six months. Dagan said that when the PA is bankrupt by the end of the year, "maybe Jordan or Saudi Arabia could help the Palestinian community through Fayyad," but he did not elaborate on this concept. Moving on to Iran, Dagan said that the international community must plan a coordinated effort, which includes inflicting effective sanctions on Iran through the UNSC, preventing proliferation, "damaging the (nuclear) project," and undermining the regime. He claimed that Iran will have the military capability to deliver a nuclear weapon in 2-3 years. End summary.

Palestinian Elections

¶12. (C) Meir Dagan, director of the Mossad, told Codel Lieberman on April 20 that the Israeli intelligence community thought that the Palestinian elections would result in a "close tie," but later realized that Fatah would not win when it analyzed the results of the municipal elections. He said that Hamas' victory was not clear-cut, however, because Fatah candidates received more votes, but lost because Hamas was more organized and united. He assessed that those who voted for Hamas want to bring an end to corruption. Senator Lieberman agreed, informing Dagan he had met with Palestinian Authority (PA) President Mahmud Abbas and Chief Negotiator Saeb Erekat, and both said that corruption and social services were the most important factors in determining for whom Palestinians voted. Dagan responded that even if Palestinians voted for Hamas to tackle the corruption issue in the PA, they knew it would also result in a change in Palestinians' foreign policy. He claimed that Palestinians continue to support armed struggle, and said that Khalil Shikaki's polls show that despite showing support for negotiations with Israel, 60 percent of those polled "still back guns."

Sources of Funds for Hamas

¶13. (C) In response to the Senator's question, Dagan replied that Israeli intelligence identifies four funding sources for Hamas. The most significant is internal "zakat," or donations by Palestinians in the West Bank and Gaza Strip. He continued that "a great deal" comes from the Gulf states through private donations by individuals. The third largest source of funds originates from Iran, which is now Hamas's only state supporter, according to Dagan. The fourth most significant source is non-governmental organizations in Europe and the U.S., "even though the Al-Aqsa Fund is closed." Dagan acknowledged that most people who donate do not do so "for terrorism, even in the Gulf," but he said that their charity is diverted to the military wing once it reaches Hamas's hands.

Hamas and the Muslim Brotherhood

¶14. (C) Dagan added that Hamas's links to the Muslim Brotherhood (MB) are clear. He claimed that the people who collect funds are the same for both organizations, particularly in NGOs. He cited the example of an individual

who was part of the MB in Egypt, was expelled to Qatar, and now chairs the Allah Fund to collect money for Hamas. "They are more connected than people realize," Dagan said. Senator Lieberman asked whether Hamas would change its policies toward Israel, given that it is part of the greater MB movement, and Dagan replied that there is no chance Hamas will change its basic philosophy. He said the group's leaders may pay lip service to agreements and change their rhetoric, but ultimately they will not change their philosophy. He commented that Hamas may say it backs the Saudi initiative, but without clearly recognizing it. He concluded that Hamas will be practical, but will not give up its ideology.

¶5. (C) According to Dagan, members of the MB in Egypt and Jordan are extremely pleased with the Palestinian election results, and hope they can copy Hamas' success in the governments of their own countries. Senator Lieberman asked whether the Egyptian and Jordanian governments want Hamas to fail, and Dagan replied that while Egypt privately acknowledges Hamas is a problem, it encourages and supports the group in public despite the fact that Hamas does not accept Israel. He added, however, that Egyptian Intelligence Chief Omar Soliman "knows the real picture, and it's not flattering." Dagan remarked that there is no difference in Jordan's public and private comments regarding Hamas because it knows "Hamas is a major threat for them," and it is willing to undertake stronger measures against the group.

Assistance to the PA

¶6. (C) Senator Lieberman told Dagan that Abbas had asked him for U.S. support for the President's Office and the Presidential Guard, whether financial support or training assistance. He asked Dagan if this seemed reasonable, and Dagan responded that Abbas is not strong, and will quickly surrender if pressured by Hamas. He said that most of the security is under the Hamas-led government. Abbas's Presidential Guard is not effective because it is comprised of people who were loyal to Yasir Arafat, and Abbas has not been able to put in his own people to take control. Dagan assessed that for this reason, any assistance Abbas receives will go to buying influence in other security services under the Hamas-led government, rather than to his own Presidential Guard.

¶7. (C) Dagan advised channeling U.S. assistance to humanitarian needs and added that "the security services can get their salary anywhere." He explained that the Palestinian Investment Fund (PIF) is worth \$500 million, claimed that the PA will get \$100 million from Iran and \$50 million from Qatar, and declared that these funds would carry the PA through for 6-7 months. (Note: Dagan did not give a timeframe for when the PA would receive the funds from Iran and Qatar. End note.) He related that Abbas has a special relationship with Qatar because his son frequently visits, implying that this is the reason why Qatar is willing to donate to the PA, and added that Muhammad Rashid set up the PIF to control profits from the tobacco and cement monopolies. When Salam Fayyad took over as finance minister, he took control of the PIF, so it is now under the Finance Ministry, which Hamas runs, according to Dagan. The Ambassador pointed out that half of the PIF's assets are collateralized for loans, and Dagan said, "but they still have it." He said that Hamas has its "own agenda" regarding security services salaries. He noted that the PA spends approximately \$90 million per month on salaries, but if Hamas does not have the funds, it can say that it is unable to pay, and that it must cut the ranks by 20,000 soldiers. The group can then hire its own members into the security services for less.

¶8. (C) Senator Lieberman asked what would happen in six months when the PA runs out of money. Dagan replied that the PIF would be spent by then, and that it is unlikely that Iran would continue to provide \$100 million per month indefinitely, so the PA will be bankrupt by the end of the year. He continued that whoever can bring in the funds at that point would be the person controlling the government. Dagan predicted that the Palestinians would turn to the EU, and would ask Israel for the frozen revenues, but Dagan said that he was not sure Israel would transfer the funds. He claimed that Israel is "not trying to create a crisis," and added that the GOI would look for ways to help the Palestinian community. Dagan continued that Abbas could call new elections if Hamas is unable to pay any government salaries, but asked rhetorically whether he is brave enough to do so. Dagan offered that he would not channel any funds through Abbas, and remarked that "maybe Jordan or Saudi Arabia could help the Palestinian community through Fayyad." He did not elaborate on this concept, but reiterated that no funds should be channeled through Abbas because he will use it to pay the salaries of Fatah members, and "Hamas will eventually profit."

Iran

¶9. (C) Moving on to Iran, Senator Lieberman told Dagan that the U.S. is very concerned about Iran's nuclear program and the country's current leadership. Dagan said that Iranian President Ahmadinejad is openly presenting the opinions of Iran's religious leaders, and that what he is saying is "nothing new." He said Khatami and Rafsanjani held the same beliefs, but "both had a better face." Dagan said he believes that Ahmadinejad means what he says, and added that this makes Iran a threat not just for Israel, but for everything the U.S. is trying to accomplish in Iraq. He claimed that the Shia community in Iraq is following guidelines from Iran.

International Community Must
Impose Sanctions

¶10. (C) Dagan advised taking Iran to the U.N. Security Council, and "hitting it hard with sanctions." He explained that the Iranian political system is dependent on public opinion, and that the public can turn against the government if it suffers sanctions. Dagan commented that the international community should try to "use all of its diplomatic weapons now" before resorting to military attacks. He said that China is unlikely to veto sanctions against Iran because it cannot go against world opinion, even if it is dependent on Iran for oil. He added that Russia will be cornered because Iran will not accept its proposal not to enrich uranium.

¶11. (C) Senator Lieberman asked whether the U.S. should encourage a change of government. Dagan replied that until now, no government has undertaken a serious effort to change the ruling regime, and added that this cannot happen overnight and requires significant cooperation from many different groups, such as the Azeri, Kurdish, and Mujahideen opposition in Iran. Dagan commented that "we need to sit and form a plan so we can achieve mid-term goals to mold the regime." He explained that the Iranian government needs to understand that it will pay a price for supporting terrorism, and said that "sanctions now don't hurt a lot." He noted that there is a "long list of things that could be done to create serious problems," but remarked that the intelligence communities in Israel and the U.S. need political directives. Dagan characterized his policy in four pillars:

- inflicting effective sanctions through the UNSC.
- preventing proliferation.
- "damaging the (nuclear) project."
- undermining the regime.

He added that "talking about a military strike" creates a lot of debate in Iran, and that this is good for the psychological impact. Senator Lieberman said that the media will always focus on this even if it is the last thing the U.S. wants to do.

¶12. (C) Dagan continued that Iran could take 1.5 years to work on centrifuges, and on a separate track focus on the launching systems for a nuclear missile. He said that with these two tracks put together, Iran could have a military capability to deliver a weapon in 2-3 years, and is working hard in this direction. He said the Shihab-3 missile has a range of 1,500 kilometers and can currently carry nuclear material, and reported that Iran is also trying to adapt the BM-25 missile, which already has a longer range, for this purpose. He commented that Iran bought a few cruise missiles from Ukraine, and is reverse-engineering them now. Senator Lieberman said that the U.S. and Israel will not be the only targets because Iran will be able to reach Sunni oil states, at least for blackmail. Dagan agreed that having a nuclear weapon improves Iran's bargaining position, and gives it a unique capability.

¶13. (U) CODEL Lieberman has cleared this cable.

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JONES